Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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PAGE 01 STATE 044947
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 /013 R

DRAFTED BY EA/EP:STAFF:SRP
APPROVED BY EA/EP:AGEBER
DESIRED DISTRIBUTION
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R 220042Z FEB 78
FM SECSTATE WASHDC
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E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
FEBRUARY 21, 1978

1. US-ASEAN ECONOMIC CONSULTATIONS (CONFIDENTIAL)

SECRETARY ROMULO HAS ALREADY TOLD THE US AMCHAM PRESIDENT IN PHILIPPINES THAT THE US WAS "FINALLY TAKING ASEAN SERIOUSLY" AND THAT PRESIDENT CARTER WAS GOING TO ADDRESS THE SECOND US-ASEAN MEETING IN WASHINGTON. THIS MUST BE THE RESULT OF YOUR DISCUSSION WITH THE ASEAN AMBASSADORS LAST FRIDAY IN WHICH YOU ADVOCATED MINISTERIAL LEVEL REPRESENTATION AT THE NEXT US-ASEAN MEETING. WE ARE PREPARING A CABLE TO OUR ASEAN EMBASSIES INSTRUCTING THEM TO MAKE REPRESENTATIONS TO THE HOST COUNTRIES ALONG THE LINES OF YOUR PRESENTATION. WE ARE ALSO PREPARING
CONFIDENTIAL

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PAGE 02 STATE 044947

WRITTEN ANSWERS TO THE 11 ASEAN MEMORANDA GIVEN TO US IN MANILA.

2. DONORS DISCUSS ASIAN DEVELOPMENT FUND REPLENISHMENT (LIMITED OFFICIAL USE)

AT THE SECOND DONORS MEETING TO DISCUSS THE ADF

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

REPLENISHMENT, MOST DONORS FAVORED THE BANK'S PROPOSAL

OF 2.15 BILLION DOLLARS. THE US INDICATED THAT IS WOULD NOT BE ABLE TO MAINTAIN ITS 22.24 PERCENT SHARE SHOULD THIS PROPOSAL BE ADOPTED. THE US PRIVATELY, ALONG WITH CANADA, SUPPORTED AN AMOUNT CENTERED AROUND 1.8 BILLION DOLLARS. THE MEETING FOCUSED ON THE US POSTURE TOWARD THE ADB. THE FRG DELEGATE, FOR EXAMPLE, POINTED OUT THE US WAS THE ONLY COUNTRY IN ARREARS AND WAS ALSO THE MOST ACTIVE IN IMPOSING RESTRICTIONS O, IT. THE DONORS PLAN TO MEET AGAIN IN VIENNA JUST BEFORE THE ANNUAL MEETING HOPEFULLY TO REACH AGREEMENT IN THE REPLENISHMENT. A US COMMITMENT TO DOUBLE UP ITS ADF CONTRIBUTION IN FY 1980 WAS CONSIDERED ESSENTIAL TO PARTICIPATE FULLY.

3. NORTH-SOUTH ISSUES (LIMITED OFFICIAL USE)

THE ORGANIZATIONAL MEETING OF THE UN OVERVIEW MECHANISM WENT QUITE WELL. AGREEMENT WAS REACHED ON THREE MEETINGS THIS YEAR AND ON THEIR AGENDA. THE FIRST, IN THE FIRST HALF OF MAY WILL UNDERTAKE AN ANALYSIS OF THE GLOBAL ECONOMIC OUTLOOK AND DEAL WITH THE GENERAL ISSUE OF RESOURCE TRANSFER. THE SECOND MEETING IN THE LAST HALF OF JUNE WILL DISCUSS FOOD AND AGRICULTURE, INDUSTRIALIZATION AND THE PROBLEM OF LEAST DEVELOPED, LANDLOCKED AND ISLAND LDCS. BOTH THESE MEETINGS WILL CONFIDENTIAL

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PAGE 03 STATE 044947

ALSO HAVE ON THEIR AGENDA THE MONITORING NIEO NEGOTIATIONS AND DISCUSSIONS IN OTHER FORA AND GIVING IMPETUS TO ON-GOING NEGOTIATIONS WHERE SUCH APPEARS TO BE NEEDED. A TWO DAY MEETING IN SEPTEMBER IS TO BE DEVOTED TO A REPORT TO THE UNGA.

UNCTAD SECGEN CORREA WAS IN TOWN LAST WEEK AND DISCUSSED UP-COMING UNCTAD MINISTERIAL MEETING ON INDEBTEDNESS AND COMMON FUND. ACCORDING TO CORREA, LDC EXPECTATIONS ARE MODEST ON THE DEBT CONFERENCE AND HE IS SEEKING AN OUTCOME WHICH WOULD AVOID CONFRONTATION. ON THE COMMON FUND WE TOLD CORREA THAT AN AGREEMENT IS FEASIBLE IF IT CENTERS ESSENTIALLY ON THE GROUP B PROPOSAL SPECIFIC DETAILS OF WHICH CAN BE NEGOTIATED. THE STICKING POINT IS THE "SECOND WINDOW" WHICH IS STILL STRONGLY BACKED BY THE AFRICANS. WE SAID, WE WOULD CONCEIVABLY DO SOMETHING ON "OTHER MEASURES" BUT NOT ON THE "S COND WINDOW".

THESE ISSUES WILL BE DISCUSSED AT AN OECD XCSS BUREAU MEETING AT THE END OF THE WEEK WHICH COOPER WILL ATTEND.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

4. TEXTILES (UNCLASSIFIED)

THE TEXTILE/APPAREL IMPORT STEERING GROUP, AN ORGANIZATION

REPRESENTING ALL SEGMENTS OF THE INDUSTRY, HAS WRITTEN TO THE PRESIDENT OPPOSING TARIFF REDUCTIONS IN THE MTN ON TEXTILE ITEMS.

5. RUBBER (UNCLASSIFIED)

ASSISTANT SECRETARY KATZ, IN TESTIMONY BEFORE THE BINGHAM SUBCOMMITTEE OF THE HIRC, ANNOUNCED THAT THE US IS PREPARED TO AGREE TO PARTICIPATE IN A NEGOTIATION FOR A NATURAL RUBBER STABILIZATION AGREEMENT. WE EXPECT CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 044947

THAT A PRODUCER/CONSUMER DRAFTING GROUP COULD MEET THIS FALL AND THE NEGOTIATING CONFERENCE COULD BE CONVENED BEFORE THE END OF 1978.

6. PALM OIL (CONFIDENTIAL)

THE US VOTED AGAINST THE IBRD LOAN TO MALAYSIA FOR AGRICULTURAL DEVELOPMENT BECAUSE IT WOULD RESULT IN AN INCREASE IN PALM OIL PRODUCTION AND EXPORTS. STATE SUPPORTED THE LOAN ON THE BASIS THAT THE INCREASE IN PRODUCTION WOULD BE SO SMALL THAT IT WOULD NOT "INJURE" US PRODUCERS OF VEGETABLE OILS. TREASURY, IN LIGHT OF THE CARTER-LONG LETTER, WAS CONCERNED ABOUT CONGRESSIONAL PRESSURES AND FELT WE HAD TO OPPOSE A LOAN WHICH WOULD INCREASE PRODUCTION IN THE WORLD'S LARGEST PALM OIL EXPORTER.

7. VEGETABLE OILS (UNCLASSIFIED)

LAST DAY INTERVENTIONS FROM INDONESIA, PAKISTAN AND INDIA PREVENTED THE PERMANENT ADJOURNMENT OF THE UNCTAD PREPARATORY MEETING ON VEGETABLE OILS. HOWEVER, LACK OF UNITY AMONG PRODUCERS RESULTED IN AN INCONCLUSIVE COMMUNIQUE WITH THE ONLY FIRM RECOMMENDATION BEING TO CONVENE A THIRD PREPARATORY MEETING SOME TIME IN THE FUTURE.

8. SPECIAL EC CONTRIBUTION TO IDA (LIMITED OFFICIAL USE)

THE EC HAS REACHED TENTATIVE AGREEMENT WITH IDA REGARDING ITS 385 MILLION DOLLAR CONTRIBUTION AS PART OF THE CIEC SPECIAL ACTION FUND. AMONG RECIPIENT COUNTRIES, THE FOLLOWING EA COUNTRIES ARE BENEFICIARIES, IN MILLIONS OF CONFIDENTIAL

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

DOLLARS: BURMA, 18; INDONESIA, 5; LAOS, 2.5; AND
VIETNAM, 16. IDA WILL ATTEMPT TO COMMIT FUNDS WITHIN
SIX MONTHS; PROJECT APPRAISALS ARE TO BEGIN IMMEDIATELY.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE044947
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:SRP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780079-0103
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780227/aaaaawpz.tel
Line Count: 180
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 07122bd2-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY, STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3519152
Secure: OPEN
Status: NATIVE
Subject: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT FEBRUARY 21, 1978
TAGS: EGEN, ECON, XC, XE, XP
To: EA POSTS
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/07122bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
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Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014